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STUDY OF YOUNG COMPANIES

ANALYSIS BY GENDER

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In the Autumn of 1992, the Ministry of Economic Development and Trade commissioned research on Ontario companies that had been in business for three years or less. This report compares the findings of male and female respondents. [See Appendix 1 for the methodology used.]

There were a total of 800 respondents interviewed for this study of whom 793 had currently active businesses. [One of the businesses had never gotten started and probably never would, three had started but were now no longer operating and three were still planning on starting.]

Women respondents were 22% of the total and their businesses on average employed one-third fewer people. Including those companies that had no employees, the average number of employees was 9.7, this is made up of an average of 10.4 employees for male respondents and 6.4 for the females.

The sample had a bias in favour of incorporated and perhaps larger companies. Three-quarters of the sample were incorporated but fewer than two-thirds of those companies owned by women were incorporated.

Although fewer than one-quarter of men-owned businesses are unincorporated, more than one-third of women-owned businesses are in this category. What is significant about this is that unincorporated businesses tend to be smaller than those that are incorporated. They are also often less stable.

Legal Status of the Business

	Male	Female	TOTAL
Incorporated	487 78.3	110 61.8	597 74.6
Unincorporated	133 21.4	68 38.2	201 25.1

Women are twice as likely as men to be in retail businesses, but one-third as likely to be in wholesale trade or construction. They are about equally represented in real estate, personal services and transportation. The only financial services businesses in the sample were male-owned.

Business Sector

	Male	Female	Total
Manufacturing	100 16.1	19 10.7	119 14.9
Construction	38 6.1	5 2.8	43 5.4
Retail	163 26.2	95 53.4	258 32.3
Wholesale	66 10.6	6 3.4	72 9.0
Transportation	9 1.4	3 1.7	12 1.5
Financial Services	8 1.3		8 1.0
Real Estate	8 1.0	6 1.0	2 1.1
Business Services	133 21.4	24 13.5	157 19.6
Personal Services	57 9.2	15 8.4	72 9.0
Accommod/Food/Bev	29 4.7	9 5.1	38 4.8
Health/Social Service		1 0.6	1 0.1
Unclassified	12 1.9		12 1.5

Most of the respondents had relevant business experience. More than three-quarters of the male respondents had worked in the type of business before starting and more had run any business (63%) before

starting one. Less than half of the female respondents had run a business before, although two-thirds had previously worked in this type of business.

The business is the primary source of income for both groups, but slightly more frequently for the males in the sample.

Experience of the Respondents

	Male	Female	Total
Previously worked in this type of business			
Yes	476	113	589
	77.1	64.2	74.3
Ran a business before starting this one			
Yes	392	83	475
	63.5	47.2	59.9
Business is primary income:			
Yes	515	140	655
	83.9	79.5	82.6

Although a higher percentage of men had experience in running a business, women were more active in seeking advice, perhaps to make up for any lack. Almost half of the women had previously run a business and almost two-thirds had worked in a similar business, yet they sought advice from lawyers, accountants, bankers and others already in business.

In every choice a higher percentage of women had sought advice, supporting previous assertions that women were better prepared when they started businesses. Two other interesting facts emerge from this data: the order of choice of who is gone to for advice is the same for both groups that is, a lawyer was most often consulted, followed by an accountant, etc. and many respondents consulted with multiple advisors.

Only 20% of the respondents indicated that they had consulted with someone from government, but 43% said that they had had to deal with the provincial government when setting up their business.

Before Starting This Business We Sought Advice

	Male	Female	Total
Lawyer	410 65.9	130 73.0	540 67.5
Accountant	408 65.6	131 73.6	539 67.4
Banker/Rep of a financial institution	365 58.7	126 70.8	491 61.4
Someone else in the same business	362 58.2	107 60.1	469 58.6
A supplier to the business	298 47.9	97 54.5	395 49.4
Someone in government	120 19.3	42 26.6	162 20.3
Someone in market research	63 10.1	22 12.4	85 10.6

The largest group of women (25%) had been executive/manager/owner prior to starting this business, this was the case for, an even greater, 44% of the men in our sample. The next largest groups of women came from sales (19%) and clerical (16%). The men came from sales (15%) and from skilled labour (14%).

It is significant that so few of the respondents (0.4%) had been unemployed prior to their business startup. There is no obvious relationship between the previous occupation of the respondent and their reason for starting this business.

A higher percentage of men, almost 24%, compared to 13% of the women gave as the reason for starting their businesses that they wanted "to make money". While about the same number of men indicated that they had "always wanted to run their own business," the

number of women in this category was more than double that of the previous one. Men were more likely to have started the business because they perceived a need for the product or service.

Reasons for starting this business

	Male	Female	Total
To make money	146 23.7	23 13.1	169 21.3
Always wanted to run own business	143 23.2	53 30.1	196 24.7
Saw need for product/service	127 20.6	28 15.9	155 19.5
To be own boss	94 15.2	30 17.0	124 15.6
Economic Necessity	62 10.0	16 9.1	78 9.8
Had relevant previous experience	50 8.1	15 8.5	65 8.2

It is in their expectations for the growth of the business that a major difference between male and female respondents occurs. More than half of the men but just over one-third of the women hoped to have their business grow really big. The others hoped to simply make a living. This corresponds to the findings on what they require for the business to be a success.

Growth Expectations

	Male	Female	Total
Hoped to grow really big	328 53.2	66 37.5	394 49.7
Hoped to make a living	279 45.2	107 60.8	386 48.7

Annual Sales/Billings Required to Consider Business A Success

	Male	Female	Total
Under \$25,000	5 .8	3 1.7	8 1.0
\$25, - 49,000	16 2.6	6 3.4	22 2.8
\$50,- 99,000	23 3.7	14 8.0	37 4.7
100, - 199,000	49 7.9	30 17.0	79 10.0
200, - 499,000	128 20.7	50 28.4	178 22.4
500, - 999,000	114 18.5	23 13.1	137 17.3
\$1,000,000 and over	236 38.2	33 18.8	269 33.9

When asked how much their business needed to earn for them to feel that it was a success, the largest group of women are in the \$200, - 499,000 category, however the largest group of men are in the over \$1,000,000. The mean amount for women is \$566,044 and for men it is \$864,926. This is just 65 % of what men say their business must earn to be successful. When this is compared to what the sale/billings were for their 1991 fiscal year, we see that 64 % of the male and 38 % of the female respondents were earning over \$200,000. The mean earnings for male-owned companies was \$416,000 and for female-owned companies it was \$288,000.

Women owned companies that employ fewer people. 71 % of the women and 60 % of the men employed fewer than 5 in their firm. (The provincial average is 64 %.) More importantly, 26 % of the women and 19 % of the men had no employees.

Problems/Concerns of Respondents¹

	Male	Female	Total
Dealing with labour laws	218 35.3	55 31.2	273 34.4
Raising equity capital	388 62.9	106 60.2	494 62.3
Borrowing debt financing	350 56.7	85 48.3	435 54.9
Getting info on how to startup	130 21.0	44 25.1	174 21.9
Finding customers	315 51.1	80 45.5	395 49.8
Environmental regulations	141 22.8	32 18.2	173 21.8
Federal tax system	422 68.4	128 72.7	550 69.3
Provincial tax system	368 59.6	108 61.4	476 60.1
Finding qualified workers	319 51.7	83 47.1	403 50.7
Government paperwork	472 76.5	135 76.7	607 76.5
Lack of business skills	193 31.2	65 36.9	258 32.6
Preparing financial plans	208 33.8	77 43.7	285 36.0
Preparing marketing plans	192 31.1	63 25.8	255 32.2
Making business profitable	440 71.4	134 76.1	574 72.4
Municipal charges and taxes	397 64.3	116 65.9	513 64.7
Payroll taxes	347 56.4	89 50.5	436 55.0

When respondents were presented with a list of 16 problems/concerns and asked to rate them as a major problem, a minor problem or no problem at all, seven were rated by half the respondents as not a problem and the other nine were rated as a problem to some degree.

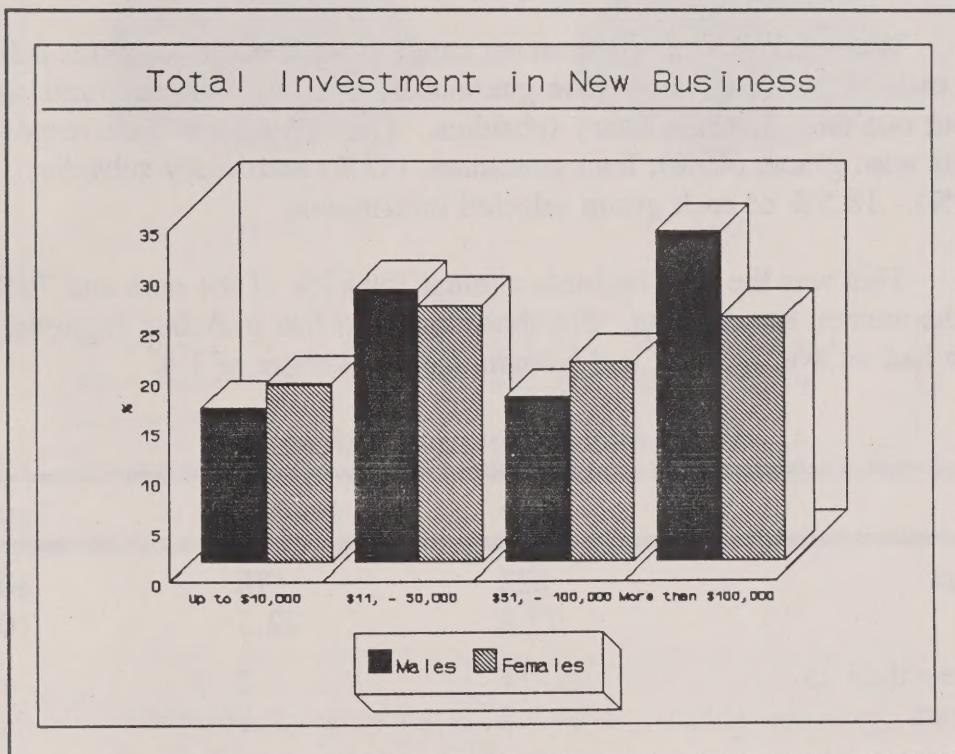
Some of these were of equal concern to both men and women: government paperwork which was the number one concern was one of these. Others were of greater concern to women: making the business profitable is an example of these. Others, were a greater concern to men: getting financing, both debt and equity are examples of this. While dealing with labour laws is a low rated problem, this seems to reflect the relatively small number of employees. Respondents said that they spent an average of 3 hours per month filling out government forms. But 26% said that someone else fills out the forms. Those people average 16 hours per month.

Employment Has Changed

	Male		Female	
	At Startup	Now	At Startup	Now
None	194 31.4	118 19.1	62 35.2	45 25.6
1	95 15.4	66 10.7	28 15.9	20 11.4
2	82 13.3	61 9.9	26 14.8	27 15.3
3-4	70 11.3	123 19.9	25 14.2	33 18.8
5-6	61 9.9	59 9.6	13 7.4	23 13.1
7 or more	112 18.2	188 30.5	20 11.4	26 14.8

Fewer male-owned businesses started with no employees and of

those that did a higher percentage hired within the three year period. A higher percentage of women-owned businesses began with between one and four employees. However, now more women are in the 5-6 employees category. Double the number of male-owned firms had more than seven employees now, while at startup there were more male-owned firms in this category but the differential was not as great.



The amount invested by men and women differed as well. On average, men invested \$95,167 and women \$83,068. Of this investment, \$65,075 for men and \$47,139 for women was their own money. The rest came from a variety of other investors with 24% of the women getting the additional money from banks.

More than half of the respondents needed additional funds after their startup and 64% of them were successful in raising it. There was no significant difference in this between the male and female respondents. Of those who were able to raise the additional funds, more than

half got the money from a bank or other financial institution.

When asked what the government could do to increase job creation, 21% chose "easing access to financing for business growth." This was most frequently chosen by men. Women most frequently chose "salary subsidies for newly hired employees" (the second choice for men) followed by "a reduction in sales tax".

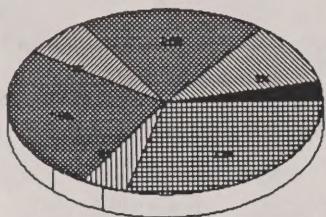
When asked what government can do that is most valuable, half of the male respondents chose loan guarantees, over 40% chose grants and about one-third selected salary subsidies. The order for female respondents was: grants (46%), loan guarantees (43%) and salary subsidies (40%). 18.5% of each group selected information.

This was the first business attempt for 62% of the men and 76% of the women respondents. For those who had had previous attempts, men had an average of 2 and women had an average of 1.4.

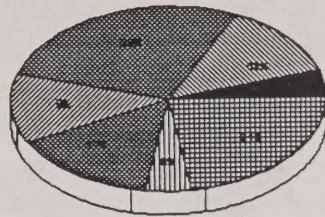
Who were our respondents?

	Male	Female	Total
Sex	622	178	800
	77.8	22.3	100
Less than 25 years	11	2	13
	1.8	1.1	1.6
25 - 34 years	174	60	234
	28.0	33.7	29.3
35 - 44 years	236	66	302
	37.9	37.1	37.8
45 - 54 years	153	36	189
	24.6	20.2	23.6
55 or over	42	9	51
	6.8	5.1	6.4
Not stated	6	5	11
	1.0	2.8	1.4

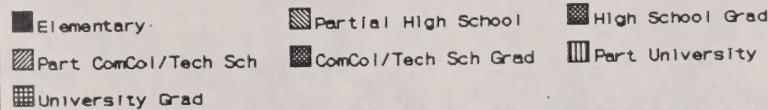
Education of Respondents



Males



Female



Most of our respondents were not members of a visible minority. Almost 12%, 12.5% of males and 9% of females were oriental, east indian or black. Only 17% of those who said they were members of a visible minority group were women as compared to 22% in the sample as a whole.

APPENDIX I

METHODOLOGY

This study was conducted by telephone with the owner or partner in businesses registered in Ontario one to three years before the conduct of this study. All types of business, except those categorized as "public administration", were included.

A complete universe of the required type of businesses is not available. For this reason, Dun And Bradstreet records of companies formed in 1989 through 1992 were used. Because of the manner in which Dun And Bradstreet files are developed, the sampling frame includes mainly operating companies. The list of names of the companies with whose owners an attempt was made to conduct interviews were selected from Dun and Bradstreet records on an nth name basis.

The study was done with a person who was an owner or partner in the business at the time that the business was registered. All interviews were conducted from DECISION MARKETING RESEARCH LIMITED's supervised central telephone facility in Toronto.